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# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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May 9, 2012

TO: Internal File

THRU: April Abate, Lead *QAA 5/50/2012*

FROM: James Owen, Engineer *JO*

RE: Midterm Permit Review, NEICO, Wellington Prep Plant, C/007/0012, Task ID #4043

### SUMMARY:

According to the R645 Utah Coal Rules, the Division is required to review each active permit during its term. The Division commenced a midterm review for the Wellington Prep Plant (Permitee) on March 13, 2012.

As a part of this process, the Division performed a review of the Permitee's compliance with the engineering (R645-301-500) and bonding (R645-301-800) sections of the Utah Coal Mining Rules. In particular, the Division reviewed the reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount is appropriately escalated in current year dollars.

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**TECHNICAL ANALYSIS:**

**RECLAMATION PLAN**

**BONDING AND INSURANCE REQUIREMENTS**

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

**Analysis:**

**General**

According to Division a record, the Permittee currently has a bond posted totaling an amount of \$5,153,000. The principal holder is Fidelity & Deposit Company.

**Determination of Bond Amount**

The reclamation cost estimate which is approved and incorporated into the current Wellington Prep Plant mining and reclamation plan has not been updated to current unit costs. Current unit costs are used to calculate the direct costs of reclamation including demolition, backfilling and grading, and revegetation. Also, there has been on-site demolition that is not reflected in the MRP. Updates should be provided using the 2012 data from R.S. Means *Heavy Construction Cost* data manual and the Caterpillar Handbook or other appropriate resources. Also, bond summary sheets are not updated to current escalation factor estimates.

In accordance with the requirements of **R645-301-830.140**, the Permittee must provide updated information in terms of detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant. This includes updated unit costs (to be used to update bond calculation spreadsheets) and updated escalation factors (used the Division's approved 1.2% and 5 year escalation).

**Findings:**

The Division cannot initiate a complete review and analysis until the updated bond information is provided.

**RECOMMENDATIONS:**

Initial midterm review is complete, deficiencies were identified. Approval is not recommended.